

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 621

S.P. 227

In Senate, March 9, 1987

Reference to the Committee on Banking and Insurance suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate
Presented by Senator BRANNIGAN of Cumberland.

Cosponsored by Speaker MARTIN of Eagle Lake, Senator BUSTIN of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-SEVEN

AN ACT to Provide Flexible Rating for
Property and Casualty Insurance.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSa §2306-A is enacted to read:

§2306-A. Flexible Rating for Property and Casualty Insurance

Notwithstanding this chapter the following provisions apply to flexible rating for property and casualty insurance.

1. All property and casualty insurers shall file schedules containing rates in effect for every market as of October 1, 1987. Insurers which have no rates

1 as of that date shall be subject to interim rates as
2 determined by the superintendent.

3 2. Requested rate changes by property and casu-
4 alty insurers shall not be filed more often than once
5 every 12 months.

6 3. If the percentage change between the proposed
7 rate and the previous rate is either an increase or a
8 decrease of less than 15%, the proposed change shall
9 be approved, subject to other conditions of this
10 chapter.

11 4. If the percentage change between the proposed
12 rate and the previous rate is either an increase or a
13 decrease of 15% or more, the superintendent shall
14 disapprove such a rate change and the proposed rate
15 shall not take effect until the superintendent issues
16 an order pursuant to subsection 5.

17 5. Within 30 days of a disapproval under this
18 section, the superintendent shall order a hearing at
19 which the insurance company may present relevant in-
20 formation specific to its experience in this State
21 and in the market in question. The insurance company
22 must prove by clear and convincing evidence that its
23 proposed rates are neither excessive, as defined in
24 section 2336, subsection 2, paragraph B, nor inade-
25 quate, as defined in section 2336, subsection 3. If
26 the superintendent determines that the rate is exces-
27 sive, he shall disallow all or part of that increase
28 or decrease. If the proposed rate is not excessive
29 or inadequate, the superintendent may allow the rate
30 to become effective, providing other provisions of
31 this chapter have been met.

32 Sec. 2. 24-A MRSA §2307, as repealed and re-
33 placed by PL 1977, c. 78, §158, is amended to read:

34 §2307. Limitation of disapproval power

35 No manual of classifications, rules, rating
36 plans, or any modification of any of the foregoing
37 which establishes standards for measuring variations
38 in hazards or expense provisions, or both, and which
39 has been filed pursuant to section 2304, shall be
40 disapproved if the rates produced meet the require-

1 ments of this chapter or of section 2306-A and chap-
2 ter 23.

3 STATEMENT OF FACT

4 The purpose of this bill is to protect consumers
5 from costly changes in insurance premiums while al-
6 lowing the industry to work competitively. It pro-
7 vides a method for controlling the cyclical nature of
8 insurance premiums.

9 Under the bill, any increase or decrease in rates
10 under 15% shall be allowed upon filing and compliance
11 with existing rules. If the proposed rate increase
12 or decrease is 15% or greater, the superintendent
13 must hold a hearing at which the insurance company
14 must prove that the proposed rate is neither "exces-
15 sive" nor "inadequate," as defined in the Maine Re-
16 vised Statutes, Title 24-A, section 2336, but without
17 reference to whether a "competitive market" exists.

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